



## **South Coast Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765-4182  
(909) 396-2000 • [www.aqmd.gov](http://www.aqmd.gov)

### **NOTICE OF PUBLIC CONSULTATION MEETING**

#### **PROPOSED AMENDED RULE 1309.1 – PRIORITY RESERVE; AND PROPOSED RE-ADOPTED RULE 1315 – FEDERAL NEW SOURCE REVIEW TRACKING SYSTEM**

**Tuesday May 22, 2007 – 1:30 P.M.  
South Coast Air Quality Management District  
21865 Copley Drive, Diamond Bar, CA 91765  
Auditorium**

#### **PURPOSE OF THE MEETING**

The South Coast Air Quality Management District (AQMD) has scheduled a public consultation meeting to solicit information and suggestions from the public on Proposed Amended Rule 1309.1 – Priority Reserve (PAR 1309.1) and Proposed Re-adopted Rule 1315 Federal New Source Review Tracking System (PRR 1315).

A Public Workshop to solicit comments from all stakeholders was held on April 19, 2007 and the comments received have been considered in the development of this staff proposal. Modifications being proposed include establishing revised standards and limitations that would be applicable to EGFs locating in more polluted areas.

PAR 1309.1 and PRR 1315 will be considered for adoption and re-adoption, respectively, by the AQMD Governing Board at a public hearing tentatively scheduled for July 13, 2007.

#### **AIR QUALITY OBJECTIVE**

The air quality objective of the proposed amendments to Rule 1309.1 is to ensure emission credits are available to offset the emissions from energy related projects as required by Regulation XIII, thus reducing the potential for operation of higher-polluting diesel backup generators during a power emergency. The air quality objective of Rule 1315 is to formalize AQMD's accounting methodology in tracking debits and credits to its offset accounts as required by U.S. EPA, to establish that sufficient offsets are provided for all major sources pursuant to the federal Clean Air Act.

#### **BACKGROUND**

Several energy-related projects have been proposed for the AQMD designed to address the shortage of electricity, the supply of primary fuels (referred to as Energy Projects of Regional Significance, or EPRS), and the need to dispose of biosolids from sewage treatment plants. Shortages in the electricity supply have been forecast by the state (California Energy Commission) and the AQMD has experienced rolling brown-outs and

curtailments recently. ERCs will facilitate the siting of new electrical generating facilities (EGFs), which will minimize the use of standby generators powered by diesel fuel. Rule 1309.1 – Priority Reserve was amended in September 2006 to allow EGFs the option to purchase emission credits from the Priority Reserve if ERCs can not be obtained in the open market and subject to several other criteria. At the time of adoption, the Board requested that staff return with a proposal that would further address the localized impacts associated with these projects. Rule 1315 was also adopted in September 2006 to formalize the AQMD accounting methodology for tracking changes to the AQMD's NSR offset accounts as required by U.S. EPA.

To address the Board direction and recent court decisions, staff is proposing to replace Rule 1309.1, as amended in September 2006, with PAR 1309.1 and re-adopt Rule 1315.

Staff is proposing an amendment to Rule 1309.1 – Priority Reserve to allow for the use of emission credits from the Priority Reserve to offset emission increases from EGFs that are subject to environmental analyses performed by the State Energy Resources Conservation and Development Commission (CEC), Public Utilities Commission (PUC), or by the city or county in which the power plant would be located. Staff is also proposing to allow EGFs in downwind air districts to conditionally allow the use of Priority Reserve for VOC offset credits. A subsequent rule amendment to Rule 1309.1 – Priority Reserve is contemplated which will address the remaining projects other than EGFs. While staff continues to believe that PAR 1309.1 is exempt from CEQA pursuant to Public Resources Code §21080(b) (6), staff has nevertheless decided to include EGFs as part of this program Environmental Assessment (EA).

## **PROPOSED AMENDMENTS**

The proposed amendments to Rule 1309.1 are intended to replace the amendments adopted by the AQMD Governing Board on September 8, 2006 and in addition, establish air quality and economic criteria for the purchase of emission offset credits from the Priority Reserve based on the location of the EGF project. Existing ambient levels of PM<sub>2.5</sub> are used to characterize the basin. Less polluted areas (Zone 1) have average annual PM<sub>2.5</sub> concentrations of less than 18µg/m<sup>3</sup>. Moderate areas (Zone 2) have average annual PM<sub>2.5</sub> concentrations of between 18µg/m<sup>3</sup> and 20µg/m<sup>3</sup>. More impacted areas (Zone 3) have annual average concentrations of more than 20µg/m<sup>3</sup>. In addition, an Environmental Justice Area (EJA) has been defined as areas where 10% or more of the population is living in poverty (based on 2000 Federal census data) and either (1) the cancer risk is greater than one in one thousand (as determined by AQMD MATES II study); or (2) the PM<sub>10</sub> exposure is greater than 46µg/m<sup>3</sup> as determined by AQMD monitoring. Mitigation fees are charged for use of Priority Reserve credits by power plants. Fees are 50% higher for emission credits purchased from the Priority Reserve by EGFs in Zone 2 and 100% higher for emission credits purchased from the Priority Reserve by EGFs in Zone 3 or in EJA as compared to the fees charged in Zone 1. Staff has committed that all of the monies from the purchase of credits less the administrative

cost of implementing the program will be used for pollution reduction projects in and around communities where EGFs are located, with at least one third of the monies used for alternative and renewable energy projects.

This proposal has been modified since the version presented at the public workshop held on April 19, 2007. The 635 MW cap for access to the Priority Reserve in Zone 3 or the EJA has been eliminated. Rather, all projects in Zone 2 and Zone 3 or the EJA must meet additional criteria to purchase credits from the Priority Reserve. In addition, more stringent criteria are proposed for projects greater than 500 MW in Zone 3 or the EJA. The following table (Table 1) highlights the requirements to access the Priority Reserve in Zones 2 and 3:

The proposal for Rule 1315 is to re-adopt the rule already adopted by the AQMD Governing Board on September 8, 2006.

**TABLE 1**  
**CRITERIA FOR EGFs LOCATING IN ZONE 2, ZONE 3, OR EJA**

<b>Criteria</b>	<b>Zone 2 or Projects ≤ 500 MW in Zone 3 or EJA</b>	<b>Zone 3 or EJA or Projects &gt; 500 MW</b>
Cancer Risk	1 in 1 million	0.5 in 1 million
Non-Cancer Risk HI	0.5	0.1
Rate of PM10 Emissions	≤ 0.06 lb/MW-hr	≤ 0.03 lb/MW-hr
Rate of NOx Emissions	≤ 0.08 lb/MW-hr	≤ 0.05 lb/MW-hr
Total Combined PM10 Hourly Emissions	BACT	≤ 30 lb/hr
24-hour Impact of PM10 Emissions From New or Modified Electrical Generating Units	≤ 5 µg/m <sup>3</sup>	≤ 2.5 µg/m <sup>3</sup>
Annual Impact of PM10 Emissions From New or Modified Electrical Generating Units	≤ 0.75 µg/m <sup>3</sup>	≤ 0.5 µg/m <sup>3</sup>
Yearly Maximum Hours of Operation (for Simple Cycle Units)	4000 or less	3000 or less

### **CALIFORNIA ENVIRONMENTAL QUALITY ACT**

Pursuant to the California Environmental Quality Act (CEQA) and AQMD Rule 110, the AQMD staff has reviewed the proposed project and determined the proposed amendments may have the potential to generate significant adverse environmental impacts. A Notice of Preparation/Initial Study (NOP/IS) was prepared and released for a

30-day public review and comment period from March 23, 2007 to April 24, 2007. Seven comment letters on the NOP/IS were received. Responses to the comments on the NOP/IS can be found in the Draft Program Environmental Assessment (PEA) which AQMD staff is currently preparing for a 45-day public review and comment period. When completed, the Draft PEA will be available by accessing the AQMD's CEQA web pages at <http://www.aqmd.gov/ceqa/aqmd.html> or contacting the Public Information Center at (909) 396-2039.

## **SUPPORTING DOCUMENTS**

Staff is not contemplating any changes to the rule language for the re-adoption of Rule 1315. Copies of the most recent version of PAR 1309.1 and PRR 1315 are available and the Preliminary Draft Staff Report will be available no later than May 22, 2007 on the AQMD website at <http://www.aqmd.gov/rules/proposed.html> and may be obtained from:

Ms. Lourdes Cordova Martinez  
SCAQMD Public Information Center  
21865 Copley Drive  
Diamond Bar, CA 91765  
(909) 396-2039

## **SUBMISSION OF DOCUMENTS OR COMMENTS**

Comments, suggestions, documents, studies and reports relevant to PAR 1309.1 or PRR 1315 should be submitted by May 29, 2007 and questions regarding the proposals can be directed to Shams Hasan at (909) 396-2338, by E-mail to [shasan@aqmd.gov](mailto:shasan@aqmd.gov) or by mail to:

Shams Hasan  
SCAQMD, Planning, Rule Development and Area Sources  
21865 Copley Drive  
Diamond Bar, CA 91765

Questions regarding the CEQA analysis of these proposals should be directed to:

Michael Krause  
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**May 11, 2007**